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Proposal under the Small Community Air Service Development Pilot Program

Sponsor: Port of Olympia, Washington

Contact: Doug Sandau, Airport Manager
Olympia Regional Airport
Port of Olympia
7643 Old Highway 99 SE
Olympia, WA 98501
(360) 528-8073

Docket #: OST-2002-11590-1

Date: April 22, 2002

April 18,2002

Docket Operations and Media Management Division
SVC – 124, Room PL – 401
Department of Transportation
400 7th Street, SW
Washington DC 20590

RE: Small Community Air Service Development Pilot Program
Docket OST-2002-11590
Port of Olympia (WA) and the Economic Development Council of Thurston
County (WA)

Dear Sir/Madam:

Included with this letter is the Port of Olympia's Small Community Air Service Development Pilot Program grant application. The Port of Olympia, sponsor of the Olympia Regional Airport, and the Economic Development Council of Thurston County have formed a public-private partnership for the purpose of securing commercial air service deemed critical to the economic development of the region. Prior to filing this application, the Port of Olympia conducted extensive research and analysis of the local air service market and completed passenger and profitability projections for the air service proposed herein. Because of its route system, aircraft size and code-share relationships with Alaska Airlines/Horizon Air, Northwest Airlines and America West Airlines, Big Sky Airlines is the logical airline to provide the air service proposed. Big Sky Airlines has agreed to provide the proposed air service contingent on funding and implementation of the Action Plan detailed in the attached application. The purpose of this grant request is to:

- Provide air access that will stimulate air travel, reduce travel time and expense between the City of Olympia, Washington's state capital, and communities-of-interest located in eastern Washington.
- Improve air access from the Olympia region to key destinations in the west and northwest United States.
- Reduce the Olympia region's dependence on and use of Seattle-Tacoma International Airport, one of the nation's top-twenty congested airports. The Olympia Airport catchment area represents **6%**, or 1.2 million trips, of Seattle/Tacoma International Airport's total annual domestic market.

Proposed service:

- Olympia (OLM) - Spokane (GEG), 2 round-trips daily provided by Big Sky Airlines' 19-seat Fairchild Metroliner

- Olympia (OLM) - Portland (PDX), 4 round-trips daily provided by Big Sky Airlines' 19-seat Fairchild Metroliner

Sponsor's contact:

Doug Sandau, Airport Manager
Olympia Regional Airport
Port of Olympia
7643 Old Highway 99 SE
Olympia, WA 98501
Phone: (360) 528-8073
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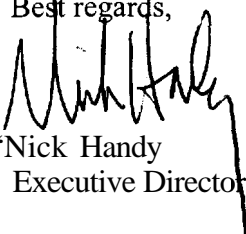
The attached application meets three of the four priorities established by the Secretary of Transportation's Order 2002-2-11, Appendix A:

- 53.7% of the cost of the proposed program will be funded by the Olympia Port Authority and the community of Olympia.
- The Port of Olympia and the Economic Development Council of Thurston County have, for the purpose of the proposed air service development effort, formed a public-private partnership.
- The proposed air service is closely tied to business and government activity throughout the State of Washington. Accordingly, it will serve a large segment of the area's/state's business, education and government community.

In addition to meeting the priorities mentioned above, the proposed service will convert auto travel to air travel for a large block of local and state government travelers. The effect will be to reduce travel time, expense and stimulate economic activity in the Olympia area.

Through public meetings and sessions with local leaders, we have educated the community about the proposed air service and the commitment required to make it successful. It is our sense that Olympia and the surrounding communities are poised to support the service described in this application. We appreciate the Department of Transportation's understanding of the importance of commercial air service in smaller communities and look forward to working with you as you evaluate the merits of the Port of Olympia's Small Community Air Service Development Pilot Program grant application.

Best regards,



"Nick Handy
Executive Director

Enclosure

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1. Executive Summary

Introduction

Currently, Olympia Regional Airport does not have commercial air service. Most air travelers from the region drive to Seattle/Tacoma International Airport, 56 miles north on Interstate 5. For air service purposes, the Olympia Regional Airport catchment area¹ includes all or part of five adjacent counties. Automobile traffic congestion between Olympia and Seattle is excessive and the travel time can range from one to three hours depending on the point of origin and the time of day. This situation is further exacerbated by airport security check-in time requirements at Seattle/Tacoma International Airport. As a result, a large share of Olympia's in-state travelers is opting to drive to key destinations in eastern Washington. The proposed service would provide excellent travel options for local air travelers, reduce overall travel time and expense to destinations in the west and northwest United States, and reduce congestion at Seattle/Tacoma International Airport.

This application requests federal support for an air service initiative for service between Olympia Regional Airport and Spokane Airport and Olympia Regional Airport and Portland International Airport. Spokane is the Olympia region's number one destination and connecting air service over Portland International Airport would serve approximately 60% of the region's overall air service needs. The total cost of the Action Plan associated with this air service initiative is \$1,018,820. This application requests federal assistance in the amount of \$471,366. The balance, \$547,454 (53.7% of the total cost), will be provided by the community. It is our assessment that the proposed air service will be self-sufficient within the 6-month start-up period outlined herein.

This application meets three of the four priorities established by the Secretary of Transportation's Order 2002-2-11, Appendix A:

- The Olympia Port Authority and the South Sound community will fund 53.7% of the cost of the proposed program.
- The Port of Olympia and the Economic Development Council of Thurston County have, for the purpose of the proposed air service development effort, formed a public-private partnership.
- The proposed air service is closely tied to business and government activity throughout the State of Washington. Accordingly, it will serve a large segment of the area's/state's business, education and government community.

In addition to meeting the priorities mentioned above, the proposed service will convert auto travel to air travel for a large block of local and state government travelers. The effect will be to reduce travel time, expense and stimulate economic activity in the Olympia area.

The following are key points in the sections of this application:

¹ An "airport catchment area" is the geographic area surrounding an airport ~~from~~ which that airport can reasonably expect to draw passenger traffic. The airport catchment area is sometimes called the service area.

Airline Support Letter:

- Big Sky Airlines signed a letter of intent to initiate service upon receipt of this grant request.

Air Service Background:

- While there was an Olympia-Seattle shuttle for a few months in 1995, the Olympia Regional Airport has not had true commercial air service since Empire Airlines left the market in 1993. Most air travelers from the region drive to Seattlemacoma International Airport, 56 miles north on the congested Interstate 5. Some travelers use Portland International Airport, which is 120 miles south of Olympia.
- 37% of all State of Washington employees are located in the Olympia area. The State of Washington is currently spending over \$13 million per year in automobile travel expenses.
- The number one destination for air travelers located in the South Sound area is Spokane. 60% of the region's total air travelers are destined for markets in the west and northwest U.S. Big Sky service to Portland and Spokane would serve this need.
- Three primary factors have affected air service:
 1. Proximity to Seattlemacoma International Airport
 2. Lack of Community Support
 3. Lack of Planning by Air Service Provider
- As part of this air service initiative, the Port of Olympia completed a *Ticket Lift Survey* in March 2001 and presented a proposal to Big Sky Airlines in February 2002.

Community Profile:

- The Olympia Regional Airport catchment area includes all or part of five counties, contains a population of 340,000 people and has the Northwest region's seventh largest economy.
- The Olympia Regional Airport catchment area contains 37.5% of all state employees. The proposed service would connect 51.2% of the State's total employees located in Olympia, Spokane, Pasco, Walla Walla, and Vancouver.
- Miller Brewing Company is the largest manufacturing company in the area with 300 employees. Miller is headquartered in Milwaukee and would utilize Big Sky Airlines' code-share relationship with Northwest Airlines through Minneapolis to Milwaukee.

Market Analysis:

- The Olympia Regional Airport catchment area produces over 1.2 million domestic passenger trips per year.
- The Olympia Regional Airport catchment area produces an estimated 63,000 passenger trips to Spokane and over 17,000 annual passenger trips to Portland per year.
- 60% of the Olympia Regional Airport catchment area travel market is destined for cities that **are** located in the northwest and western United States.
- Alaska Airlines and Northwest Airlines carry over 41% of the Puget Sound's domestic passengers and 54% of the air travelers in the South Sound area.

Action Plan:

- The Port of Olympia and the Economic Development Council of Thurston County have formed a public-private partnership for the purpose of securing the air service proposed and implementing the Action Plan.
- The goals of the Action Plan are to provide air access to the Olympia Regional Airport catchment area, improve air access to key destinations in the west and northwest U.S., and reduce the Olympia region's dependence on and use of Seattlemacoma International Airport.
- The Port of Olympia is proposing twice daily non-stop service to Spokane (WA) and four flights daily non-stop service to Portland (OR) using Big Sky Airlines' 19-seat Fairchild Metroliner aircraft.
- The proposed schedule allows for connecting service to seventeen of Olympia's top twenty markets through Spokane or hubs in Portland and Minneapolis.
- At 50% load factors, with a \$25 add-on over Seattlemacoma airfares and with an average pro-rate of 27.2% with Alaska and Northwest, Big Sky could expect to earn \$226,000 on revenue of \$2.48 million in a mature market.
- Big Sky Airlines service is planned to begin no earlier than December 1, 2002. December 2002 passenger traffic and revenue is estimated to be 50% of pro-forma projections and are expected to grow 10% per month between December 2002 and May 2003. The revenue shortfall for the six-month ramp-up period is estimated to be \$225,866.
- The proposed air service will require a significant marketing effort to achieve name and service awareness. The Port proposes a marketing budget of \$180,000 including the cost

of a marketing consultant (6 months), public affairs / community outreach, strategic partnership, and advertising and promotion for one year.

- Support by the five-county, South Sound business community will be locked-in with an Airline Travel Bank™. Participating companies will deposit funds in a bank account that is restricted for purchase of airline tickets on Big Sky Airlines and its code-share partners. Washington state government contracts for state and local government travelers will round out the picture.
- The Action Plan budget includes \$287,454 (28.2%) to be funded by the Port of Olympia, \$260,000 (25.5%) by the local business community, and \$471,366 (46.3%) as requested in this grant application.

Community Support:

- Members of the South Sound community have prepared written letters declaring support of the Port of Olympia's application to the U.S. Department of Transportation.

Airport Financial Information:

- On a GAAP basis, Olympia Regional Airport operates at a loss, with a loss of \$161,397 projected for calendar year 2002. If GAAP depreciation were excluded, Olympia Regional Airport would operate at a minor surplus, projected at \$20,102 in calendar year 2002.

This application was prepared by Mead & Hunt, Inc., 28829 Lockheed Drive, Suite 2C, Eugene OR 97402, (541) 689-9997. Supporting information utilized in this application was prepared by Sixel, Boggs & Associates, Inc., Sixel Consulting Group and Boggs Aviation Associates, Inc.



April 15, 2002

Docket Operations and Media Management Division
SVC-124, Room PL-401
Department of Transportation
400 7th Street SW
Washington, DC 20590

Ref: Big Sky Airlines, Letter in Support of -
Small Community Air Service Development Pilot Program-Grant Application
Docket OST-2002-11590-1
Applicant: Port of Olympia (WA) and the Economic Development Council of
Thurston County

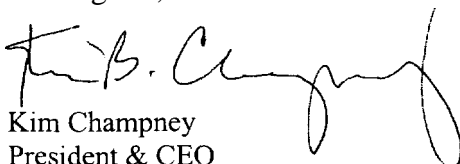
Dear Sir/Madam:

In conjunction with the attached grant application filed by the Port of Olympia (WA) and the Economic Development Council of Thurston County, Big Sky Airlines ("Big Sky") has had several meetings with these groups relating to the provision of the air service described therein. Big Sky's interest in, and commitment to, providing air service is directly tied to the ability to mitigate the financial risk associated with initiating that service. At this point in the discussions between Big Sky and the Olympia parties, any such commitment is contingent on the Department of Transportation's grant offer and acceptance by the airport's sponsor, the Port of Olympia (WA). The amount of the grant shall be sufficient to fund the elements of the application's Action Plan for which federal funds are specifically requested.

Additionally, any Big Sky commitment to provide air service hinges on full funding and implementation of the applicant's Action Plan by all parties. It is our understanding that grant offers will be made on or before September 30, 2002. If the federal government does not make a grant offer to the Port of Olympia on or before that date, Big Sky is under no further obligation to continue discussions for the provision of the air service described in the referenced grant application.

Big Sky Airlines looks forward to working with the Department of Transportation, the Port of Olympia and the Economic Development Council of Thurston County on this important air service initiative. Please contact myself or Craig Denny, Executive Vice President if you have questions concerning this letter and or specifics about Big Sky.

Best regards,


Kim Champney
President & CEO

3. Air Service Background

Air Service Issue

Air travelers from the region must drive to Seattlemacoma International Airport, 56 miles north on Interstate **5**, to access air service. For air service purposes, the Olympia Regional Airport catchment area includes all or part of five adjacent counties. Automobile traffic congestion and airport security check-in time requirements at Seattlemacoma International Airport is excessive and the travel time can range from one to three hours with an additional two to three hours for check-in. The only other option for Olympia area travelers is to drive to their destination.

Because Olympia is the capital of Washington, approximately 37% of all State of Washington employees work in the Olympia area and several federal and municipal agencies travel to the Olympia area for meetings. **51%** of all state workers are located in the cities of Olympia, Pasco, Walla Walla and Vancouver. Accordingly, state workers in these communities travel between communities on state business. The State of Washington is currently spending over \$13 million per year in automobile travel expenses. The South Sound community needs air service from Olympia to Spokane and Portland to reduce travel time and expense between communities-of-interest in eastern Washington.

The number one destination for air travelers located in the South Sound community is Spokane. 60% of the region's total air travelers are destined for markets in the west and northwest United States. Additionally, **54%** of the region's air travelers use Alaska Airlines/Horizon Air. This makes sense since the Alaska/Horizon Air route system is concentrated in the west and northwestern **U.S.** The South Sound community needs air service from the Olympia Regional Airport with code-share connections over Portland International Airport on Alaska/Horizon Air. This service would provide excellent travel options for local air travelers, reduce overall travel time and expense to destinations in the west and northwest United States and reduce congestion at Seattle/Tacoma International Airport.

Current Air Service

Olympia Regional Airport (OLM) is a non-hub airport located in Olympia, Washington. Currently, Olympia Regional Airport has no commercial air service. Olympia Regional Airport has not been served successfully by commercial air service since 1993. Olympia Regional Airport is a FAR Part 139 certified airport.

Historical Air Service

The Olympia Regional Airport has had commercial air service for most of the past **55** years; however, there has been no true commercial service since 1993. From January 1993 through November 1993, Olympia Regional Airport enjoyed commercial air service by Empire Airlines. Empire Airlines offered three round-trips to Spokane, with one stop-over per day in Pasco, during the weekdays and fewer round-trips on the weekends. They also offered five round-trips per day to Portland during the weekdays, with fewer round-trips on weekends.

During that time period, Empire Airlines reported total passengers of 13,270 and revenues of \$905,340. The average one-way fare was \$68.22 (excluding taxes and passenger facility charges) and the average yield was 28.56¢. Spokane, Pasco and Portland supported the majority of the air service, with 9,660, 3,410, and 100 passengers, respectively. On a percentage basis, Spokane accounted for 72.8% of the passengers using Olympia Regional Airport.

Factors That Have Affected Air Service

Three primary factors have affected air service at Olympia Regional Airport:

1. Proximity to Seattlemacoma International Airport
2. Lack of Community Support
3. Lack of Planning by Air Service Provider

Proximity to the Seattlemacoma International Airport has been a deterrent for airlines to enter the Olympia market. Although costly and time intensive, Olympia area residents and visitors are willing to drive to Seattlemacoma International Airport to access air service as there are no other alternatives available. Airlines that currently serve Seattle/Tacoma International Airport are not willing to add service to the Olympia Regional Airport, as it would draw traffic away from the service they provide at Seattle, and such short trips are not cost effective.

When Empire Airlines was in the market in 1993, there was a general lack of support by the community of the air service. This was due to existing travel habits, relationships with other carriers (i.e., mileage plans), and the lack of information in the community about service. Empire Airlines entered the market without putting the upfront analysis and marketing effort required for success.

The proposed service addresses the issues that have affected air service in the past. First, the proposed service by Big Sky Airlines allows for the Olympia area passengers to connect to three of the airlines most preferred in the area, Alaska Airlines, Northwest Airlines, and America West through Big Sky Airlines' code-share partnerships. This enables passengers to continue to use their existing mileage plans with these three carriers. Second, the Action Plan includes an extensive community outreach / marketing plan to properly inform the Olympia area of the new service. Third, extensive research and planning has been conducted to ensure the success of the new air service. Fourth, proposed Big Sky operating support for the six-month startup reduces Big Sky's risk in those critical early months.

Previous Air Service Efforts

In March of 2001, the Port of Olympia, through independent consultants, conducted an on-site survey of eight South Sound area travel agencies. A total of 5,680 airline tickets were tabulated and included in the *Ticket Lift Survey*. Airline ticket information was collected for the months of November 2000 and January and February of 2001. 76.4% of the tickets collected were from the Olympia area. 23.6% of the tickets collected were from the Lacey area. In January 2002, the Port of Olympia prepared and presented, with the assistance of independent consultants, an *Air Service Analysis and Pro Forma* to Big Sky Airlines. The results of the analysis are the basis of this application and future efforts with Big Sky Airlines.

4. Community Profile

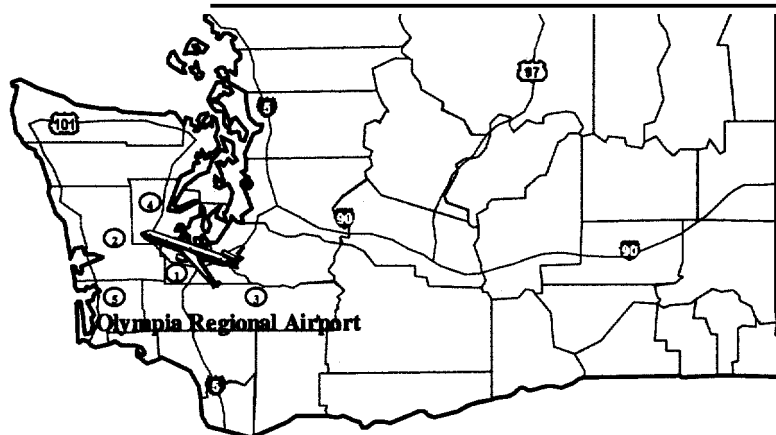
Airport Catchment Area

The South Sound area is centrally located at the southern end of the Puget Sound along Interstate 5 in the state of Washington. The Olympia Regional Airport catchment area would carve all of two and parts of three counties out of Seattle/Tacoma International Airport and Portland International Airport catchment areas. The Olympia Regional Airport catchment area stretches from Hoquiam to the west, Chehalis to the south and Shelton to the north and contains nearly 340,000 people. The Olympia Regional Airport catchment area includes all of Thurston and Grays Harbor counties, 50% of Lewis and Mason counties, and 25% of Pacific County.

Olympia Regional Airport Catchment Area Population

Rank	County	2000 Population	Olympia ACA Share	Olympia ACA Population	% of Total
1	Thurston	207,355	100.0%	207,355	61.2%
2	Grays Harbor	67,194	100.0%	67,194	19.8%
3	Lewis	68,600	50.0%	34,300	10.1%
4	Mason	49,405	50.0%	24,703	7.3%
5	Pacific	20,984	25.0%	5,246	1.5%
ACA Total		413,538	81.9%	338,798	100.0%

Source: U.S. Census Bureau 2000



Economic & Demographic Indicators

The **340,000** residents of the Olympia Regional Airport catchment area represent the third largest market in the state of Washington in terms of population and the sixth largest in the Northwest region (Idaho, Montana, Oregon, Washington, Wyoming), behind Seattlenacoma, Portland, Spokane, Eugene and Boise. Over the last ten years, the Olympia Regional Airport catchment area experienced the Northwest's seventh largest increase in population, adding nearly 60,000 residents.

The residents of the Olympia Regional Airport catchment area earned over \$8.5 billion in personal income in **2000**, making it the Northwest's sixth largest market. Similar to population over the last ten years, the Olympia Regional Airport catchment area experienced the Northwest's seventh largest increase in personal income, adding **\$2.3** billion in income.

The Olympia Regional Airport catchment area generated over **\$3.2** billion in retail sales in **2000**, making it the Northwest's eighth largest market. Over the last ten years, the Olympia Regional Airport catchment area experienced the Northwest's eighth largest increase in retail sales, adding **\$920** million in sales.

Based on six leading economic and demographic indicators (population, employment, earnings, manufacturing earnings, retail sales, and personal income), the Olympia Regional Airport catchment area has the Northwest's seventh largest economy, ahead of Medford, Yakima and Pasco.

Airport Catchment Area Shares of Northwest Region Economy

Based on Six Leading Economic and Demographic Indicators

Calendar Year 2000

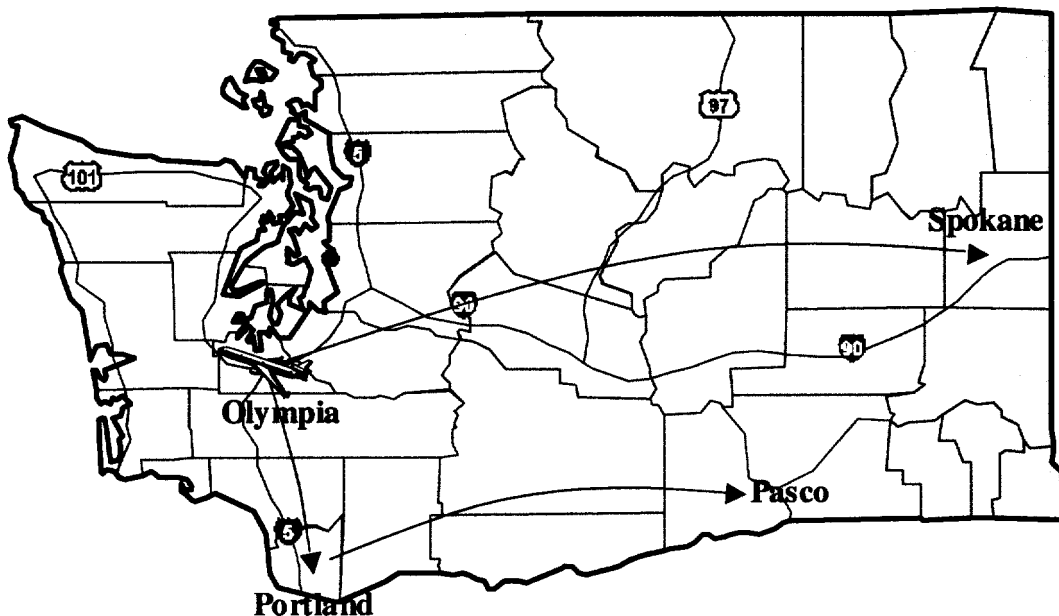
Rank	Catchment Area	Population	Employment	Earnings (\$millions)	Mfg Earnings (\$millions)	Retail sales (\$millions)	Personal Income (\$millions)	Share of NW Region Economy
1	Seattle/Tacoma, WA	3,430,882	2,061,881	\$105,555	\$16,007	\$63,709	\$131,327	36.2%
2	Portland, OR	2,571,249	1,526,122	\$52,936	\$10,276	\$29,101	\$72,590	21.4%
3	Spokane, WA	681,942	360,607	\$10,717	\$1,981	\$6,902	\$16,205	4.8%
4	Boise, ID	599,552	358,067	\$11,001	\$2,410	\$5,742	\$15,218	4.7%
5	Eugene, OR	626,820	335,030	\$9,961	\$2,445	\$6,220	\$14,672	4.7%
6	Bellingham, WA	319,649	173,096	\$5,144	\$718	\$3,506	\$8,390	2.3%
7	Olympia, WA	338,798	167,089	\$5,244	\$594	\$3,209	\$8,591	2.3%
8	Medford, OR	301,296	145,727	\$4,062	\$748	\$3,489	\$6,872	2.0%
9	Yakima, WA	255,943	140,057	\$3,868	\$532	\$2,385	\$5,952	1.7%
10	Pasco, WA	191,822	113,705	\$3,837	\$358	\$2,003	\$4,958	1.4%
11	Billings, MT	183,279	109,311	\$3,094	\$210	\$2,023	\$4,409	1.2%
12	Redmond, OR	155,105	83,768	\$2,460	\$520	\$1,721	\$3,814	1.2%
13	Missoula, MT	175,320	91,629	\$2,263	\$333	\$1,596	\$3,652	1.1%
14	Idaho Falls, ID	163,031	82,000	\$2,749	\$366	\$1,393	\$3,349	1.1%
15	Kalispell, MT	143,980	86,075	\$2,241	\$306	\$1,476	\$3,390	1.0%
16	Twin Falls, ID	142,415	80,550	\$2,225	\$387	\$1,252	\$3,119	1.0%
17	Wenatchee, WA	138,783	88,024	\$2,319	\$235	\$1,420	\$3,463	1.0%
18	Pocatello, ID	147,596	73,728	\$2,113	\$383	\$1,153	\$2,981	0.9%
19	Pendleton, OR	113,299	61,010	\$1,724	\$398	\$969	\$2,517	0.8%
20	Great Falls, MT	124,459	68,147	\$1,785	\$56	\$1,145	\$2,827	0.7%
Total Northwest Region		12,088,426	6,938,848	\$255,482	\$41,387	\$152,635	\$348,868	100.0%

Source: U.S. Census Bureau

Area Businesses

The Olympia Regional Airport catchment area contains 37.5% of all state employees. Thurston County has the largest concentration of State of Washington employees, with one of every three employed by the State of Washington. The proposed service would connect four of Washington's largest centers of state government. The proposed schedule includes connections between 51.2% of the state's total employees located in the Olympia, Spokane, Pasco, Walla

Walla and Vancouver areas. The proposed service would link federal, state, and municipal government offices and provide access to west coast markets via Portland.



The Washington State Social and Health Services Department is the largest user of in-state air travel, with expenditures of **\$1.2** million. Social and Health Services is the third largest user of out-of-state air travel. This agency is the largest state agency in the Olympia Regional Airport catchment area, Spokane County and Clark County.

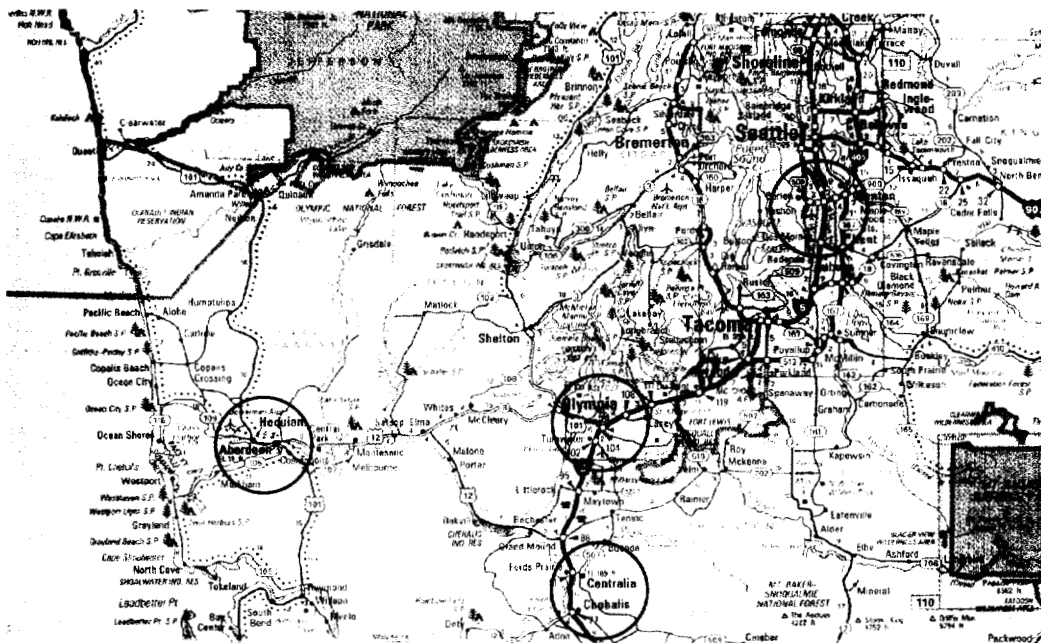
Overall, the State of Washington (excluding public universities and colleges) spends **\$4.4** million on in-state travel and **\$3.2** million on out-of-state travel, for a total expenditure of **\$7.6** million. The State spends an additional **\$13.4** million per year on automobile travel, much of which could be replaced with Big Sky service. Washington State employees are by far the largest group of workers in the Olympia area, followed by public education and local government.

Miller Brewing Company is the area's largest manufacturing company, with over **300** employees and **\$100** million in revenue. Miller is headquartered in Milwaukee and could take advantage of Big Sky connections with Northwest Airlines through Minneapolis to Milwaukee and other destinations.

5. Market Analysis

Proximity to Competing Airport

The South Sound area is 56 road miles from Seattle/Tacoma. The Olympia Regional Airport is the nearest airport for thousands of residents in the Aberdeen/Hoquiam area (49 miles to Olympia, 105 miles to Seattlemacoma, 163 miles to Portland) to the west and the Centralia/Chehalis area (23 miles to Olympia, 79 miles to Seattlemacoma, 91 miles to Portland) to the south.



Traffic congestion on Interstate 5 through Tacoma and the south Seattle area makes the time necessary to travel by car unreasonable. Traffic congestion on Interstate 5 makes for a potential two-hour to three-hour drive to Seattlemacoma International Airport for the residents of the South Sound area. Airport shuttle companies require one hour and forty-five minutes for the trip and charge approximately \$40.00 round-trip. Shuttle companies charge approximately \$145 round-trip to Seattlemacoma from the Aberdeen/Hoquiam area and approximately \$60 round-trip to Seattlemacoma from the Centralia/Chehalis area.

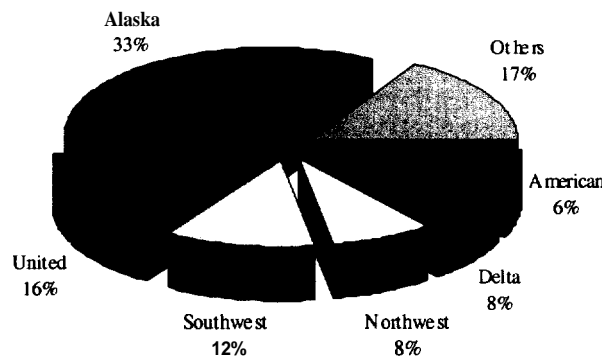
Since September 2001, passenger-boarding times at Seattlemacoma International Airport have doubled. The Port of Seattle is now requesting that domestic passengers arrive at least 2-3 hours in advance of their scheduled departure time instead of the 1-2 hours required previously. In addition, the Port of Seattle is requesting that international passengers arrive at least 4-5 hours in advance of their scheduled departure time instead of the 2-3 hours required previously. Hundreds of parking spaces have been removed from use around the terminal building, making it even more difficult to park at Seattlemacoma International Airport. The timesavings and convenience of accessing air service at the Olympia Regional Airport is an obvious advantage.

Puget Sound Area Air Traffic

The Puget Sound area produced over 19.3 million domestic passengers in calendar year 2000, with 98.7% of those passengers using Seattle/Tacoma. Seventeen of the top twenty Puget Sound area markets are located in the western United States and includes Las Vegas, Spokane and seven markets in California. Nearly two-thirds of the Puget Sound Area's domestic passengers travel to points in the West and Northwest regions², with 29.4% traveling to points within California. Thirteen of the Puget Sound Area's top twenty domestic revenue markets are located in the western United States. Los Angeles is the second largest market, with \$137.8 million in airline revenues for calendar year 2000.

Alaska Airlines and Northwest Airlines carry over 41% of the Puget Sound Area's domestic passengers, providing a ready pool of passengers attracted to Big Sky's service.

Airline Share of Puget Sound Area Domestic O&D Passengers
Calendar Year 2000



Ticket Lift Survey Results

During March of 2001, the Port of Olympia, through independent consultants, conducted an on-site survey of eight South Sound area travel agencies. A total of 5,680 airline tickets were tabulated and included in the analysis. Airline ticket information was collected for the months of November 2000 and January and February of 2001. 76.4% of the tickets collected were from the Olympia area. 23.6% of the tickets collected were from the Lacey area.

The *Ticket Lift Survey* determined that the number one destination for South Sound area passengers was Spokane, with 12.7% of the total.

²

For purposes of this discussion, the Northwest region includes Colorado, Idaho, Montana, Oregon, Utah, Washington and Wyoming. The West region includes Arizona, California and Nevada.

Top 10 Destinations (Total Sample)

Rank	Destination	Passengers	Percentage
1	Spokane, WA	724	12.7%
2	Phoenix, AZ	265	4.7%
3	Las Vegas, NV	248	4.4%
4	Pasco, WA	204	3.6%
5	Yakima, WA	178	3.1%
6	Washington National, DC	156	2.7%
7	San Diego, CA	127	2.2%
8	Los Angeles, CA	119	2.1%
9	Honolulu, HI	115	2.0%
10	Orlando, FL	110	1.9%
Total Top 10		2,246	39.5%
Total Top 25		3,487	61.4%
Total Top 50		4,512	79.4%

In the *Ticket Lift Survey*, the FAA sanctioned geographic regions broke down regional distributions of air travel. It was determined that over **60%** of the South Sound area passengers travel to/from the west and northwestern United States.

Regional Distribution of Air Travel

		Geographic Region									
		Inter-					Great				
Airport		West	N.West	National	East	S.East	S.West	Lakes	Central	N.East	Alaska
Seattle	PAX	1,821	1,549	473	51	417	346	255	102	80	73
	%	32.6%	27.7%	8.5%	8.4%	7.5%	6.2%	4.6%	1.8%	1.4%	1.3%
Portland	PAX	38	41	1	2	7	1	4	2		1
	%	39.2%	42.3%	1.0%	2.1%	7.2%	1.0%	4.1%	2.1%		1.0%
Total Passengers		1,859	1,590	474	469	424	347	259	104	80	74
Total Percent		32.7%	28.0%	8.3%	8.3%	7.5%	6.1%	4.6%	1.8%	1.4%	1.3%

The *Ticket Lift Survey* also reviewed the airlines that air travelers from the Olympia Regional Airport catchment area use most frequently. It was determined that 54.0% of the South Sound area passengers use Alaska Airlines, while an additional 9.5% use Northwest Airlines. The proposed service by Big Sky with its code share partners Alaska Airlines and Northwest Airlines would provide access to the Olympia Regional Airport catchment area preferred airlines.

**Airlines Used at Seattle/Tacoma International Airport
Top 10 Markets**

	Destination	Alaska		United		Northwest		Southwest		Delta		Other	
		Pax	%	Pax	%	Pax	%	Pax	%	Pax	%	Pax	%
1	Spokane	506	70.1%	10	1.4%	3	0.4%	203	28.1%				
2	phoenix	228	87.4%	2	0.8%			3	1.1%	2		6	10.0%
3	Las Vegas	209	86.0%	6	2.5%			13	5.3%	11		4	1.6%
4	Pasco	193	97.0%	6	3.0%								
5	Yakima	170	96.0%	7	4.0%								
6	Washington National	4	2.6%	25	16.1%	60	38.7%			25	16.1%	41	26.5%
7	San Diego	100	84.7%	16	13.6%			1	0.8%	1			
8	Honolulu			19	16.5%	54	47.0%					2	36.5%
9	Los Angeles	81	71.1%	29	25.4%			3	2.6%	1	0.9%		
10	Orange County	99	90.8%	9	8.3%							1	0.9%
Total Top 10		1,590	71.8%	129	5.8%	117	5.3%	223	10.1%	40	1.8%	114	5.2%
Total Top 25		2,050	59.7%	379	11.0%					220	6.4%	251	7.3%
Total Top 50		2,385	54.0%	526	11.9%	420	9.5%	305	6.9%	287	6.5%	497	11.2%

For those passengers who found it necessary to make a connection, the *Ticket Lift Survey* determined that Minneapolis was the number one connecting airport for South Sound area travelers. As Northwest Airlines has a hub at Minneapolis, the proposed Big Sky service would be an online extension for those passengers connecting through Minneapolis.

Estimated Olympia Regional Airport Catchment Area Passengers

Based on the population and economic strength of the Olympia Regional Airport catchment area, it is estimated that the area produces over 1.2 million annual domestic passenger trips. Annual domestic passenger trips were derived by calculating the percentage of the population in the Olympia Regional Airport catchment area by the population in the Puget Sound area. Olympia Regional Airport catchment area represents approximately 6.3% of the Puget Sound area population. It is assumed that the Olympia Regional Airport catchment area generates 6.3% of the domestic passengers, which equates to 1,213,969 passengers per year. This estimate was corroborated by a Port of Seattle in-terminal passenger survey that showed that 6% of Seattle/Tacoma International Airport passengers came from the Olympia Regional Airport catchment area.

By combining the *Ticket Lift Survey* with the calculated passenger per year in the Olympia Regional Airport catchment area, the number of domestic passengers generated by the market was calculated. It is estimated that the Olympia Regional Airport catchment area produces over 63,000 annual passenger trips to Spokane and over 17,000 annual passenger trips to Portland.

6. Action Plan

Public-Private Partnership

The Port of Olympia and the Economic Development Council of Thurston County have formed a public-private partnership for the purpose of securing the air service proposed and implementing the Action Plan. The Port of Olympia is the sponsor of the Olympia Regional Airport. Doug Sandau, Airport Manager, is the designated contact for the Port of Olympia. The Port of Olympia will manage accounting and reimbursement requests associated with this project.

Project Goals

- Provide air access that will stimulate air travel, reduce travel time and expense between the City of Olympia, Washington's state capital, and communities-of-interest located in eastern Washington.
- Improve air access from the Olympia region to key destinations in the west and northwest United States.
- Reduce the Olympia region's dependence on and use of Seattle/Tacoma International Airport, one of the nation's top-twenty congested airports.

The proposed non-stop service between Olympia and Portland / Spokane will have a significant positive impact on the South Sound community, as well as the adjacent communities in the region. Air access from such an important geographic market will have a strong economic impact because it will provide residents, business travelers, educators and visitors with better, more convenient access. Better air access will also enrich this community by providing new opportunities for cultural enrichment.

The Olympia and surrounding communities would not expect this grant to meet all the needs of the communities for increased air access. The South Sound community would also not expect to continue with the revenue guarantee past the initial six-month period outlined herein. Based on our extensive research on the market and backed by our comprehensive plan for marketing support, the Olympia Regional Airport fully anticipates this service will be able to continue on its own, profitably, after the initial six-month start-up period.

Proposed Service

The Port of Olympia is proposing twice-daily non-stop service to Spokane, Washington and four flights daily non-stop service to Portland, Oregon using Big Sky Airlines' 19-seat Fairchild Metroliner aircraft. The proposed schedule utilizes one aircraft approximately 10 block hours per weekday. The proposed schedule provides nearly 1,400 available seats weekly to Olympia passengers. The schedule allows for Big Sky to swap aircraft and crew twice daily in Spokane with its existing flight schedule between Spokane and Great Falls. Olympia's proposed schedule is a natural extension of services presently provided by Big Sky between Billings and Great Falls/Spokane.

Proposed Big Sky Airlines Flight Schedule at Olympia

Arrival	Equip.	Depart	Arrive	Blk. Hrs.	Miles	Days	weekly Depts.	weekly ASM's	Weekly Seats
Portland	SWM	5:20 AM	6:00 AM	0:40	97	123456	6	11,058	114
Olympia	SWM	6:40 AM	7:20 AM	0:40	97	123456	6	11,058	114
Portland	SWM	7:40 AM	8:23 AM	1:12	256	123456	6	11,058	114
Olympia	SWM	9:57 AM	11:07 AM	1:12	256	123456	6	11,058	114
Portland	SWM	12:07 PM	12:47 PM	0:40	97	123456	6	11,058	114
Olympia	SWM	1:25 PM	2:05 PM	0:40	97	123456	6	11,058	114
Portland	SWM	2:25 PM	3:03 PM	0:40	97	123457	6	11,058	114
Olympia	SWM	3:25 PM	4:05 PM	0:40	97	123457	6	11,058	114
Portland	SWM	4:25 PM	5:37 PM	1:12	256	123457	6	11,058	114
Olympia	SWM	5:47 PM	7:02 PM	1:12	256	123457	6	11,058	114
Portland	SWM	7:25 PM	8:05 PM	0:40	97	123457	6	11,058	114
Olympia	SWM	8:47 PM	9:27 PM	0:40	97	123457	6	11,058	114

The Port of Olympia's proposed schedule takes advantage of Big Sky's existing code-share relationships with Alaska Airlines, Northwest Airlines and America West Airlines. The schedule allows for at least three daily connections³ to important markets such as Los Angeles, San Francisco, San Jose, Phoenix, Las Vegas, San Diego and Pasco. In fact, the proposed schedule allows for connecting service to seventeen of Olympia's top twenty markets through Spokane or hubs in Portland and Minneapolis. The proposed first flight to Portland connects to **23** Alaska/Horizon or Northwest departures, including first flights to California and Minneapolis. The proposed second flight to Portland connects to **20** Alaska/Horizon, America West, or Northwest departures, including seven cities in California. The proposed third flight to Portland connects to **18** Alaska/Horizon, America West or Northwest departures, including Northwest's last flight to Minneapolis. The proposed fourth flight to Portland connects to **10** Alaska/Horizon departures, including Alaska's last flights to San Francisco and Anchorage.

Service Proposal & Analysis

The Port of Olympia presented the pro-forma analysis, prepared by independent consultants, to Big Sky Airlines in February **2002**. The pro-forma analysis included the operating and market assumptions detailed below:

- Big Sky will earn **10%** profit with **50%** load factors;
- Big Sky will operate **24** weekly departures from Olympia to Portland and **12** weekly departures from Olympia to Spokane;
- Big Sky's fully allocated cost per flight is estimated to be **\$481** per departure between Olympia and Portland and **\$847** per departure between Olympia and Spokane;
- Big Sky will serve the Olympia market with the equivalent of one full-time aircraft at startup.

³ Connecting flights are those within 30 to 120 minutes from the time of arrival or departure of Olympia flights.

The independent consultant has been conservative in estimating Big Sky traffic. The following markets / passengers were excluded from the analysis:

- Residents of southern Pierce County, though it is believed that a sizable component of potential passengers exist who would choose the convenience of Olympia over the traffic and hassles at Seattlemacoma International Airport;
- International passengers, although Alaska has an extensive network to Mexico;
- North-bound markets, such as Anchorage or Fairbanks;
- East-bound markets that can be served through Minneapolis or Detroit on Northwest Airlines;
- Interline traffic to points such as Salt Lake City (Delta) or Denver (United) that are not served by Alaska/Horizon;
- Traffic that could connect to America West through Phoenix.

For purposes of this analysis, the consultant has estimated fares at **\$25** over the Seattlemacoma International Airport fares for the market in all markets other than Portland and Spokane. For traffic to Portland, the independent consultant has matched average fares at Seattlemacoma. For traffic to Spokane, the independent consultant has estimated average fares that provide Big Sky a **10%** return on its investment at a 50% load factor (**\$98** one-way average).

Based on the above, it is estimated that Big Sky would need to capture only **2.0%** of the Olympia Regional Airport catchment area's total of **1.2** million domestic passengers in order to produce a **10%** profit margin with load factors of 50%. It is further estimated that Big Sky would need to capture **18.7%** of the **63,000** passengers between the Olympia Regional Airport catchment area and Spokane.

Big Sky would expend an estimated **\$2.26** million operating the proposed schedule. At 50% load factors, with a **\$25** add-on over Seattle/Tacoma airfares and with an average pro-rate of **27.2%** with Alaska and Northwest, Big Sky could expect to earn **\$226,000** on revenue of **\$2.48** million. The following is a summary of the pro-forma analysis:

**Pro-Forma Analysis of OLM – PDX/GEG Service by Big Sky
Mature Market**

		Service to Portland	Service to Spokane	Total
<u>Operating Statistics</u>				
1	Available Seats Per Departure	19	19	19
2	Days Operating	365	365	365
3	Segments	2,496	1,248	3,144
4	Available Seats	47,424	23,712	71,136
5	Available Seat Miles	4,600,128	6,070,272	10,670,400
6	Big Sky's Fully Allocated CASM	26.12¢	17.42¢	
7	Fully Allocated Cost per Departure	\$481.47	\$847.11	
8	Total Costs	\$1,201,737	\$1,057,199	\$2,258,936
<u>Operating Projections</u>				
9	10% Profit Load Factor Target	50.0%	50.0%	50.0%
10	10% Profit Passenger Target	23,712	11,856	35,568
11	10% Profit Average Prorated Fare	\$55.75	\$98.09	
12	Break Even Load Factor	45.5%	45.5%	45.5%
13	Total Revenue	\$3,077,975	\$1,162,918	\$4,240,893
14	Total Revenue Per Flight	\$1,233	\$932	
15	Average Passengers per Flight	9.5	9.5	
16	Average One-way Fare	\$129.81	\$98.09	
17	Total Revenue per ASM	66.91¢	19.16¢	
18	Total RPM's	18,278,576	3,035,136	21,313,712
19	Average Yield	16.84¢	38.32¢	
20	Big Sky Local Revenue	\$93,919	\$1,162,918	\$1,256,837
21	Big Sky Local Segment Revenue	\$570,670	\$0	\$570,670
22	Big Sky Share of Beyond Revenue	\$657,322	\$0	\$657,322
23	Total Big Sky Revenue	\$1,321,911	\$1,162,918	\$2,484,829
24	Big Sky Revenue per ASM	28.74¢	19.16¢	
25	Average Prorate per Beyond Passenger	27.2%	0.0%	
26	Projected Big Sky Revenues			\$2,484,830
27	Projected Big Sky Earnings			\$225,894
28	Projected Margins			10.0%

Seasonality/ Ramp-Up of Service

In the previous pro-forma analysis, the 10% margin projection was based on a mature market, i.e., enplanements would be at 100% on the first day of service. However, it is unrealistic to expect a mature market on day one. The following table breaks down the proposed service for the first six months:

**Pro-Forma Analysis of OLM – PDX/GEG by Big Sky
First 6 Months of Service**

	Full Year	December	January	February	March	April	May	Total Ramp Up Period
Operating Statistics								
1 Available Seats Per Departure.	19	19	19	19	19	19	19	19
2 Days Operating	365	31	31	28	31	30	31	182
3 Segments	3,744	318	318	287	318	308	318	1,867
4 Available Seats	71,136	6,042	6,042	5,457	6,042	5,847	6,042	35,472
5 Available Seat Miles	10,670,400	906,253	906,253	818,551	906,253	877,019	905,253	5,319,582
6 Total Costs	\$2,258,936	\$191,855	\$191,855	\$173,288	\$191,855	\$185,666	\$191,855	\$1,126,374
Operating Projections								
7 Seasonality of Demand		9.3%	7.2%	7.1%	8.0%	8.3%	8.5%	
8 10% Profit Passenger Target	35,568	3,296	2,545	2,519	2,838	2,952	3,024	17,174
9 Total Big Sky Revenue (Mature Market)	\$2,484,829	\$230,266	\$177,791	\$175,946	\$198,309	\$206,220	\$211,293	\$1,199,825
10 Ramp Up Period	100%	50%	60%	70%	80%	90%	100%	
11 Revenue During Ramp Up Period	\$2,484,829	\$115,133	\$106,675	\$123,162	\$158,647	\$185,598	\$211,293	\$900,508
12 Projected Big Sky Earnings (Loss)	\$225,894	-\$76,722	-\$85,180	-\$50,126	-\$33,208	-\$68	\$19,438	-\$225,866
13 Subsidy		\$76,722	\$85,180	\$50,126	\$33,208	\$68	-\$19,438	\$225,866

The projections above assume that service will begin on December 1, 2002. At the initiation of service, it is assumed that Big Sky will realize 50% of the potential passengers of a mature market. For each subsequent month, it is assumed that Big Sky will increase realization by 10% per month until the sixth month of service, which is assumed to be a mature market. The Port proposes to provide Big Sky with a grant subsidy not to exceed \$225,866 for the first six months of service. All parties have studied this proposal; it is the consensus that the proposed service will attain self-sufficiency within the 6-month start-up period detailed herein.

Action Plan Elements

The goal of this Action Plan is to address issues associated with the proposed air service that are critical to the long-term success of Big Sky Airlines in the Olympia market. In this regard, this Action Plan addresses four areas:

1. Marketing
2. Community support
3. Facility improvements
4. Airline Start-up Support

1. **Marketing:** A sum of \$150,000 is requested from grant funds to market this new service and new market to travelers in the Olympia Regional Airport catchment area who presently drive to Seattle/Tacoma International Airport or Portland International Airport. To support the marketing plan, an additional \$30,000 of marketing support has been identified by the sponsor and the community. This funding will be used for a range of activities to ensure the long-term success of the new service in this market. Specifically, funds will be used to:

- Launch service in this underserved market by informing and educating the traveling public about the features and benefits of the new carrier. Emphasis will be placed on the ability of the new system to make air travel more convenient, less time-consuming, and less costly, while providing more direct access to the national transportation system.
- Promote the partnership between Big Sky Airlines and the Port of Olympia to return air service to this market, which includes the state of Washington's capital city. A key strategy will be to build new and capitalize on existing community partnerships among government agencies, private businesses, educational institutions, and civic organizations both in the South Sound area and between Olympia and the destination cities of Spokane (WA) and Portland (OR). An Airline Travel Bank™ will be promoted to provide a partnership commitment to Big Sky Airlines.
- Provide marketing support to maintain the new service through the first year of operation as a solid foundation to an on-going, long-term marketing strategy.
- Monitor measurable results of the marketing effort, including ticket pre-sales, Airline Travel Bank™ contributions, on-going ticket revenues, and number of people utilizing the service.

Target Audience

The proposed marketing initiative will be directed toward the more than 340,000 people living in the five-county area within a 50-mile radius of the Olympia Regional Airport, who currently travel from 50 to 160 miles to Seattle/Tacoma International Airport or Portland International Airport to access the national air transportation system. This region comprises the Northwest region's sixth largest market.

Specifically, this initiative will target several categories of potential travelers as well as geographic market segments. User segments include:

- State government workers. 22,300 Washington State employees work in the area, or 37.5% of all state workers. The proposed routes would connect four of Washington's largest centers of State government.
- Local government and local public education employees, representing approximately 9,700 workers.
- Federal government employees, representing approximately 1,000 workers.
- Local colleges, representing approximately 1,270 workers.
- Key businesses (manufacturing, health care, retail, publishing, communications, and transportation), representing approximately 8,500 workers.

Geographically, travelers in both origin and destination locations will be targeted, with most marketing emphasis placed on the Olympia Regional Airport catchment area.

- Thurston, Mason and Grays Harbor counties will be targeted geographically as these counties comprise 88% of travelers. Lewis and Pacific counties will receive less marketing emphasis.
- Marketing outreach will also be made to business and government travelers in the destination cities of Spokane and Portland.

Marketing Messages

Key marketing messages will emphasize the features and benefits of the proposed service to the identified audiences. Messages will focus on the following:

- Time Savings. The new service will save travelers time in travel to the airport and time spent at the airport in parking, checking in, and clearing security.
- Convenience. The new service will get passengers into the national air transportation system faster, cheaper, and with less inconvenience.
- Cost Effectiveness. The new service will reduce the costs of travel by providing travelers shorter drives to the airport, lower parking costs and reducing the need for overnight stays.
- Personalized service. The new service will be more personalized by allowing people to fly from home and deal with local partners.
- Partnerships. The new service will provide partnerships between the air carrier and community users. An Airline Travel Bank™ will be set up and promoted as an advantage for travelers by providing pre-purchased, minimal restriction tickets. The Airline Travel Bank™ will also be used as a main vehicle for building a committed customer base.

Partnerships

Key public-private partnerships are in place to facilitate successful implementation of this marketing strategy. The most critical partnership is the relationship the Port of Olympia is developing with Big Sky Airlines, which will serve the needs of travelers in the South Sound area. A main advantage of this partnership is the code share relationships Big Sky has with Horizon Air, Alaska Airlines, and Northwest. Recent marketing studies show that **54%** of the South Sound area passengers use Alaska Airlines.

In addition, the Port has established public-private partnerships with key organizations that will play an important role in implementation of the marketing strategy. These include regional civic and business organizations, state and local government, educational institutions, the local tourism and hospitality industry, and airports in destination cities.

Plan Implementation

The proposed marketing strategy includes four main components to reach the target audience and accomplish the stated objectives. These include: consulting services; public affairs; promotion; and media advertising. The following describes each element and the requested budget amount, with expenditures allocated over a yearlong timeline. The year is assumed to begin three months prior to the start of the new service and end nine months after service begins. As a rule of thumb, approximately **60%** of each element is

allocated during the first six months of the project, with **40%** being spent during the last six months for service maintenance.

Consulting Services. \$21,000 (11.7% of budget request). The Port proposes to retain a consultant on a six-month contract. The consultant will coordinate public affairs outreach activities with various stakeholder groups, including development of an outreach database; coordinate with advertising agency and Port staff to implement advertising campaign; and track budget expenditures for the project against budgeted amounts. The consultant will represent the Port for the project; act as liaison with all parties, including Big Sky; and track effectiveness.

Public Affairs. \$20,000 (11.1% of budget request). To reach the targeted audience segments, outreach via public affairs activities as well as editorial coverage and support from the regional media is essential. A key public affairs component will be the development of a multi-media PowerPoint presentation to be used in a “speakers bureau” format for meetings with stakeholders. Such stakeholders include chambers of commerce, economic development councils, government agencies and associations, educational institutions, targeted businesses, and travel agents. In addition, media communications will be written and distributed to print, radio, and television media in the targeted geographic segments.

Promotion. \$35,000 (19.4% of budget request). This component includes a variety of activities to promote the new service throughout the region. Specifically, it includes design and printing of collateral materials, promotional items, planning and coordination of special promotional events in conjunction with Big Sky and community partners, signage, and website related marketing.

Media Advertising. \$104,000 (57.8% of budget request). Due to the broad geographic area covered by the new service, media advertising is important in reaching the target audiences and creating an awareness of the new service for potential travelers. A wide range of media is proposed, including print, radio, cable television, and outdoor advertising, with approximately half the budget in print. A variety of audiences were targeted within each media type. An amount has also been included for limited advertising in destination markets.

The following table breaks down the marketing element expenditures by month:

Marketing Element	Sept	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Total
Consultant	3,500	3,500	3,500	3,500	3,500	3,500							21,000
Public Affairs	6,600	1,600	1,700	1,700	1,500	1,400	1,250	1,250	1,250	1,250	250	250	20,000
Promotion	4,500	8,000	7,650	3,650	2,650	1,650	1,650	1,650	1,650	1,650	150	150	35,000
Media Advertising	4,225	7,575	15,675	23,575	15,575	8,225	5,525	5,525	5,525	5,525	4,525	2,525	104,000
Total	18,825	20,675	28,525	32,425	23,225	14,775	8,425	8,425	8,425	8,425	4,925	2,925	180,000

The table below provides the detailed break down of each of the marketing elements.

**Olympia Regional Airport
Marketing Budget**

	<u>Budget</u>	<u>% of Total</u>
Consultant		
Coordination of public affairs, advertising & promotion activities to launch of air service.	\$ 21,000	11.7%
Public Affairs		
Multi-media production & support hardware	10,000	
Meetings with targeted community organizations, businesses, & government agencies in area	7,700	
Editorial / media preparation	2,300	
Total Public Affairs	<u>20,000</u>	11.1%
Promotion		
Events / special partnership opportunities	10,000	
Graphic design	2,500	
Promotional items	7,500	
Signage	5,000	
Electronic marketing	1,500	
Marketing materials (brochures)	8,500	
Total Promotion	<u>35,000</u>	19.4%
Media Advertising (Includes production costs where appropriate)		
Olympia Newspaper	15,000	
Shelton/Mason Journal	2,400	
FTE (State Government News)	3,500	
Business Examiner	6,000	
Senior News	2,000	
Nisqually Valley News	2,400	
Centralia Chronicle	4,800	
Lewis Co. News	2,000	
Daily World (Aberdeen)	6,000	
Eastside (DW Pickup)	1,000	
Willapa Harbor Herald	2,000	
Ft. Lewis Ranger / McCord Airlifter	2,000	
News Tribune	6,000	
Cable Television	11,000	
TCTV Programming	1,000	
Local Radio	15,000	
Business Cards	4,400	
Billboards	2,500	
Media Ads in Spokane & Portland	5,000	
Other Media Related Advertising	10,000	
Total Media Advertising	<u>104,000</u>	57.8%
Total Marketing Budget	<u>\$ 180,000</u>	100.0%

Evaluation

In order to assure that grant funds are spent as proposed, a tracking system will be established through the Port of Olympia accounting system to monitor actual versus planned expenditures. It will be the responsibility of the Port to review these expenses on a monthly basis.

In addition, a system will be developed to monitor the effectiveness of the marketing strategy. Measurements will include: the number and distribution of requests for information about the service; ticket sales prior to launch of service; Airline Travel Bank™ burn-rate throughout the first year; and actual ridership numbers.

2. **Community Support:** The proposed service is primarily designed to support the local economy by serving business and government interests in the region. Accordingly, it is critical to the success of this initiative that the intended users of the service actually use the service.

Support by State Government

State government use of the proposed service will be managed by the designation of Big Sky Airlines as the “preferred provider” for in-state travel to/from government offices in eastern Washington. Refer to the Community Support letters in section 8 of this document. Likewise, state government employees will be encouraged to fly Big Sky Airlines rather than drive. The justification for this action is the savings in time and expense realized by flying Big Sky Airlines from Olympia Regional Airport over the current options.

Support by Business Community

Support by the South Sound business community will be locked-in with an Airline Travel Bank™ (ATB). Participating companies will deposit funds in a bank account that is managed by the Economic Development Council of Thurston County. ATB funds will be restricted electronically for purchase of airline tickets on Big Sky Airlines and its code-share partners. Participating companies and their employees will access their ATB funds with a credit card, either Visa or MasterCard. In short, the only way that participating companies can access their ATB funds is by using the air service provided by Big Sky Airlines. The term of the ATB will be 12-months. At the end of the ATB term, all remaining ATB funds will be remitted to Big Sky Airlines in return for air travel vouchers. The air travel vouchers will be valid for 12-months from the date of issue.

Olympia Airline Travel Bank™ Goals:

- | | |
|-------------------------------------|-----------|
| • Total Airline Travel Bank Funds | \$250,000 |
| • Number of Participating Companies | 50 to 100 |

Airline Travel Bank™ Costs:

- | | |
|---|-----------------|
| • Consultant Fees and Expenses | \$10,000 |
| • Marketing & Promotion Over a Five-County Region | \$27,000 |

- 3. Facility Improvements:** To accommodate commercial airline operations, several facility modifications will be required. Although some of these modifications are eligible for Airport Improvement Program (AIP) funding, communications with the FAA Seattle – Airport District Office indicates that AIP funds are **not** available until next fiscal year. See page 29 for a copy of the letter received from the Federal Aviation Administration regarding AIP funding. *The Port of Olympia will fund all facility improvements associated with the proposed air service in anticipation of FAA reimbursement.* The following is a list of facility improvements that will be required to accommodate Big Sky Airlines:

Facility Improvements Planned for Port Resources:

Independent 220v/3 Phase Power Supply	\$20,000
Public Parking (65 spaces)	\$178,200

AIP Eligible Facility Improvements:

Ramp Security Lighting	\$25,000
Power Supply for Security Equipment	\$5,000
Exit Panic Door	\$1,200
Terminal Modifications for Screening/Equipment	\$15,000

4. Airline Start-up Support:

Ramp-up Subsidy

The pro-forma projections associated with the proposed air service are based on a mature market. However, it is estimated that it will take six months for passenger projections associated with the proposed air service to reach maturity and match pro-forma projections. Big Sky Airlines service is assumed to begin December 1, 2002. Accordingly, December 2002 passenger traffic and revenue is estimated to be 50% of pro-forma projections. Passenger and revenue projections are expected to grow 10% per month between December 2002 and May 2003. At the end of the ramp-up period, May 2003, passenger and revenue projections are estimated to match the mature market projections shown in the pro forma. The revenue shortfall for the six-month ramp-up period is estimated to be \$225,866.

The Port of Olympia proposes to provide Big Sky Airlines with ramp-up subsidy for the first six months of service. Subsidy payments will be made monthly and reconciled at the end of the first and second quarters. The amount of the monthly ramp-up subsidy payment due Big Sky Airlines shall be based on the following formula:

- If Actual Revenue \geq Actual Segments x Segment Rate + 10%, No Payment
- If Actual Revenue $<$ Actual Segments x Segment Rate + 10%, Payment for the difference up to a maximum of \$225,866 for the six-month period

To receive a subsidy payment, Big Sky Airlines must operate the proposed service for the initial six-month period and no subsidy payments will be made for shortfalls after the first six months of operation.

Action Plan Staffing

To complete the Action Plan as proposed, the Port of Olympia plans to utilize four Port employees: Port Deputy Director (30%), Airport Manager (40%), Airport Administrative Assistant (20%), and Marketing Assistant (20%). No additional Port staff will be hired to assist with the Action Plan. The Port of Olympia will contract with the EDC to hire a marketing/advertising consultant to assist with the media **mix**, purchase of advertising, and promotion of the Airline Travel Bank™. The firm of Mead & Hunt, Inc. will provide consulting services associated with the Action Plan and organization of the Olympia Airline Travel Bank™.

Action Plan Research

In **2001**, the Port of Olympia initiated research associated with the South Sound air travel market. The task was to analyze the strength of the market and evaluate possible air service options associated with Olympia Regional Airport. An airline ***Ticket Lift Survey*** was completed in March 2001. Based on the strength of that survey, in January 2002, the Port contracted with an independent consultant to complete an ***Air Service Analysis and Pro Forma*** for commercial air service from Olympia Regional Airport to two destinations, Spokane (GEG) and Portland (PDX). In, February **2002** the Port met with representatives of Big Sky Airlines and presented the results of that study and proposed the air service initiative detailed in this application.

Action Plan Budget

Port of Olympia Small Community Air Service Development Pilot Program Action Plan Budget

	Olympia	U.S. DOT	Grant
Marketing:			
Advertising/Promotion	\$ 20,000	\$ 150,000	\$ 10,000
community support:			
Airline Travel Bank			\$ 250,000
Consulting Services		\$ 10,000	\$ 10,000
Airline Travel Bank Marketing & Promotion		\$ 27,000	\$ 27,000
Facility Improvements:			
Non AIP Facility Improvements			
Public Parking (65 spaces)	\$ 178,200		\$ 178,200
Airline Start-up Support:			
6-Month Subsidy Maximum		\$ 225,866	\$ 225,866
Start-up Costs (50%Airline/ 50%U.S. DOT)		\$ 50,000	
Action Plan Staffing:			
Port Deputy Director (30%)	\$ 14,268		\$ 14,268
Airport Manager (40%)	\$ 15,333		\$ 15,333
Admin. and Marketing Assistants (20%)	\$ 10,153		\$ 10,153
Action Plan Research:			
2001 Research/Studies	\$ 25,500		\$ 25,500
2002 Analysis and Airline Recruitment	\$ 24,000		\$ 24,000
Grant Application:			
Consulting Services		\$ 8,500	\$ 8,500
Total	\$ 287,454	\$ 471,366	\$ 260,000
Percent of Project	28.2%	46.3%	25.5%

* Non-cash contributions in red.

Previous Air Service Development Plans

The Port of Olympia has not undertaken any previous air service development initiatives.



U.S. Department
of Transportation

**Federal Aviation
Administration**

Northwest Mountain Region
Colorado, Idaho, Montana
Oregon, Utah, Washington,
Wyoming

Seattle Airports District Office
1601 Lind Avenue, S.W., Ste 250
Renton, Washington 98055-4055

April 5, 2002

Mr. Doug Sandau
Airport Manager
Olympia Regional Airport
7643 Old Highway S.E.
Olympia, WA 98501

Funding for Airline Related Facilities

Dear Doug:

This is in response to your question on the availability of **AIP** funding for projects needed to put the required facilities in place for a new regional airline at Olympia Regional Airport.

Part 107 related security work and other improvements associated with airline **service** would not be eligible for FAA **AIP** funding until you had airline service in operation and the need was established. Thus it will be up to the airport to **fund** any improvements needed to get the airline started. Even if the work was eligible, at this point in the Fiscal Year we have already made commitments to various airports for projects for all of the State Apportionment funds available for FY 2002.

If you have any questions, please call me at (425) 227-2803.

Sincerely,

A handwritten signature in cursive script that reads "Jeff Winter".

Jeffrey W. Winter, P.E.
Civil Engineer, Washington Section

7. Performance Measurement/ Schedule

Marketing:

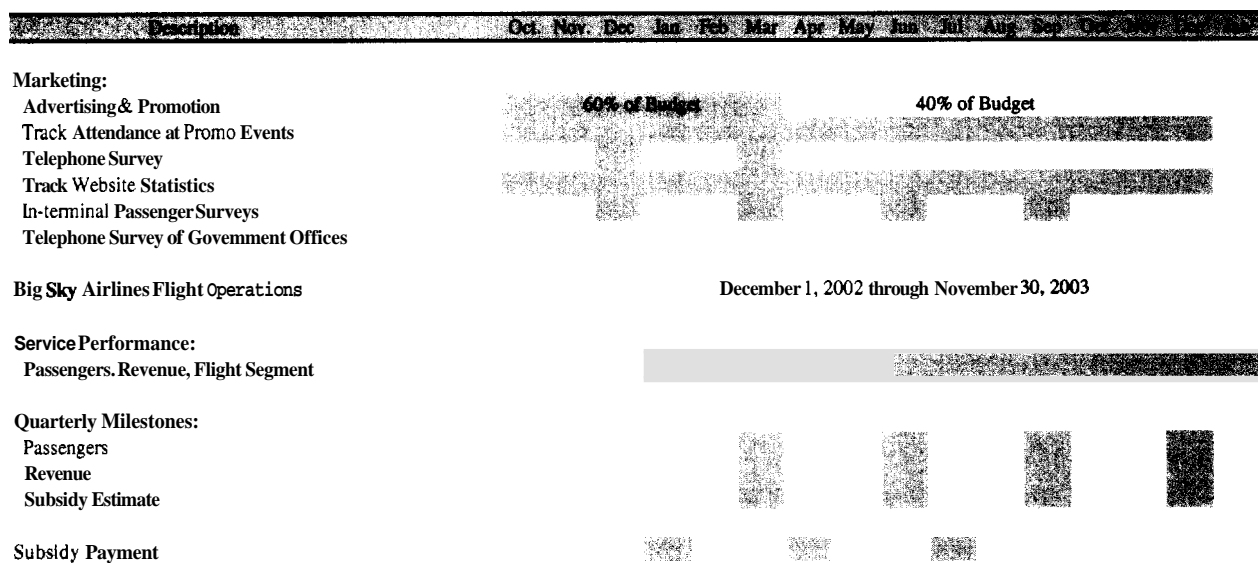
The marketing program outlined herein focuses on the local Olympia market and the government offices/employees in Olympia and eastern Washington. The effectiveness of the marketing effort will be tracked using five methods: (1) attendance at promotion events, (2) two telephone surveys (600 contacts each) in the third and sixth month to measure market penetration, (3) monthly tracking of website hits associated with the proposed air service, (4) in-terminal passenger surveys to measure/test media referrals, and (5) telephone surveys of State of Olympia offices in the local area and eastern Washington to measure service awareness of this key customer.

Air Service Performance

The performance of the proposed air service will be tracked on a monthly and quarterly basis. The purpose of tracking is twofold: (1) track the number of passengers using the new service and, (2) monitor airline revenue and related subsidy requirements.

- **Monthly:** Big Sky Airlines will provide flight segments flown, on-board passengers and gross revenue information. This data will be compared with pro-forma projections to measure the performance of the program.
- **Quarterly:** The sponsor will aggregate year-to-date flight segments flown, passenger statistics and gross revenue data. Gross revenue data will be compared to the cost of operations to calculate the year-to-date subsidy requirement. The goal is for passengers and revenues to exceed the pro-forma projections and the subsidy payment to be less than projected.

Olympia - Spokane & Portland (OR)



8. Community Support

Members of the South Sound community submitted letters of support for the Port of Olympia's application to the U.S. Department of Transportation for assistance with new commercial air service to the Olympia Regional Airport. The letters of support were received from the following members of the community:

Member	Title	Association / Company
Alexander, Gary	State Representative	State of Washington House of Representatives
Balikov, Marty	Regional Manager	ESRI
Biles, Stan	Mayor	City of Olympia
Bullard, R.W.	Vice President	Welco Lumber Company
Fukai, R.D.	Director	State of Washington, Dept of General Administration
Kent, Susan	President	Olympia/Thurston County Chamber of Commerce
Nomensen, Gary	President	Economic Development Council of Thurston County
Ridgeway, Stewart	President	Lacey/Thurston County Chamber of Commerce
Sharp, Joseph	Chief Executive Officer	Capital Medical Center
Sibold, John	Director	Washington State Department of Transportation Aviation Div.

The letters of support have been included for review.

STATE REPRESENTATIVE
20th DISTRICT
GARY C. ALEXANDER

State of
Washington
House of
Representatives



APPROPRIATIONS
CAPITAL BUDGET
CO-CHAIRMAN
HEALTH CARE

March 25, 2002

Port of Olympia Commissioner Robert VanSchoorl
Port of **Olympia** Commissioner Steven Pottle
Port of Olympia Commissioner Paul Telford

Dear Commissioners:

I am writing to encourage you to strongly pursue obtaining a new commercial air service for Thurston County and the Port of Olympia Airport. Having attended the recent briefing to civic leaders on the interests of Big Sky Airlines, I believe this would be an excellent fit for our community and for the citizens of our State.

With the increasing traffic congestion in both North-South and East-West vehicle usage, the availability of commercial air service to high destination points such as Seattle, Spokane, and Portland would be both time-efficient and budget-friendly.

As a local State legislator, I have the opportunity to go home every evening during the session. I also have the opportunity to attend many committee hearings during the interim without a major job interruption, because they are frequently scheduled in Olympia. However, many of my colleagues do not and can not. When we are working late into Friday evenings, or on Saturdays, it is not practical to travel to Seattle, Vancouver, Everett, Republic, or Spokane for just one day. Nor is it convenient for members of the legislator to drive two to four hours each way to Olympia to attend a two-hour briefing. I am convinced that a convenient air service to and from Olympia would be used frequently by legislators, lobbyists, and interested citizens, not only during the busy session, but throughout the year.

I am hopeful that Big Sky Airlines and the Port of Olympia can reach a mutual agreement to return air service to our State Capitol. We are, and can be, a convenient connecting point and destination point. I am confident it will be a profitable investment for all parties.

Respectfully,

A handwritten signature in cursive script, reading "Gary C. Alexander".

Rep. Gary C. Alexander



March 25, 2002

Port of Olympia
915 Washington St. NE
Olympia, WA

Dear Sir:

It has been brought to our company's attention that Big Sky may establish commuter service to Spokane and Portland from the Olympia airport. We are very interested in this service as our employees frequently travel. This commuter service would provide ESRI with more convenient travel and decrease our expenses.

ESRI-Northwest is a regional corporate office. We currently have over thirty employees working for us. Last year alone, our employees made a total of 563 business trips to various locations around the country. 233 of our business trips required that our staff fly to their destination. If Big Sky were to bring their commuter services to Olympia, our employees would not have to waste valuable time traveling to and from the airport, standing in lines, and waiting for their luggage.

When our employees travel to the airport, a great deal of money is spent on shuttles and parking. Typically, a shuttle to the airport cost approximately sixty dollars, while our parking fees vary greatly depending upon the length of stay. Big Sky's commuter shuttle would greatly decrease ESRI's travel expenses.

Please consider this information when making your decision on the commute shuttle. Please contact us if you need any more information.

Sincerely,

Marty Balikov
Regional Manager



City of
OLYMPIA

900 Plum Street, P.O. Box 1967, Olympia, WA 98507-1967

March 22, 2002

COUNCIL

Stan Biles,
Mayor

Mark Foutch
Mayor Pro Tem

Laura Ware

Curt Pavola

Matthew Green

Doug Mah

Jeanette Hawkins

CITY MANAGER

Richard C. Cushing

Mr. Bob VanSchoorl
President
Port Commission
Port of Olympia
915 Washington St. NE
Olympia, WA 98501

Dear Commissioner VanSchoorl:

It is our understanding that the Port of Olympia is actively involved in discussions with Big Sky Airlines regarding regular commercial air service at the Olympia Regional Airport. Regular air service initially to Spokane and Portland would be of great value to our community. On behalf of the Olympia City Council, it is my pleasure to encourage and support the Port Commission's efforts.

In these economic times and with organizations, both public and private, always needing to spend limited revenue in the most prudent way possible, we believe that air service would not only provide added convenience to our area, but make more efficient use of time. There is increasing expense in the time it takes to travel to and from SeaTac Airport, let alone the expense of parking and the increasing time required to get to the airport and process through the new heightened security requirements.

We realize that there are many details yet to be worked out and that airfare costs, among other issues, will be a significant factor in both feasibility and usage. However, we believe that from both a convenience and business standpoint, the addition of regularly scheduled air service at the Olympia Regional Airport would be of great benefit to our community and we heartily endorse your continuing to explore opportunities with Big Sky Airlines.

Sincerely,

Stan Biles
Mayor

cc3039



City Council
City Manager
City Attorney

(360) 753-8450
(360) 753-8447
(360) 753-8110

Community Planning & Development
Fire
Public Works

(360) 753-8314
(360) 753-8348

Police
Public Works

(360) 753-8300
(360) 753-8362



WELCO LUMBER COMPANY USA



A DIVISION OF
WELCO LUMBER COMPANY USA

We Do Cedar Best

March 12, 2002

Port of Olympia Commission
915 Washington Street NE
Olympia, WA 98501

Dear Commission,

I write this letter in support of developing a commercial airline connection through the Olympia Airport. The Big Sky Airline arrangement that is under consideration seems to fit my needs.

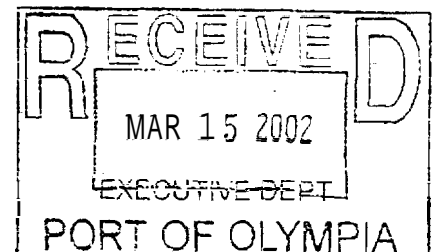
Welco Lumber Company has operations in Naples, Idaho as well as in Marysville and Shelton here in Washington. I travel from my home in Olympia to our Naples operation 1 to 2 times per month; averaging about 20 times per year. Most of those trips are via air through the SeaTac and Spokane airports. If I could use the Olympia Airport for a reasonable cost and schedule, I would prefer flying from there. It would be more convenient and require less time in traffic.

We have other employees that also travel from our Shelton site to Naples, flying to Spokane and vice versa. I estimate that those trips may average 2 to 3 per month. Again, if the travel costs and connections were competitive, I would expect that we would access the Olympia Airport for this travel.

If you have questions or concerns, please do not hesitate to call. My phone number is 360-551-1500 or locally at 426-3944.

Sincerely,

R.W. Bullard
Vice President and General Manager



Western Red Cedar



STATE OF WASHINGTON

DEPARTMENT OF GENERAL ADMINISTRATION

100 General Administration Building, P.O. Box 41000 • Olympia, Washington 98504-1000
(360) 902-7300 • TDD (360) 664-3799

March 25, 2002

The Honorable Bob Van Schoorl, President of the Commission
The Honorable **Steve Pottle**, Vice President of the Commission
The Honorable Paul Telford, Secretary Treasurer of the Commission
Port of Olympia
915 Washington Street Northeast
Olympia, Washington 98501

Dear Commissioners:

Subject: Department of General Administration Support for Olympia **Air** Service

The Department of General Administration (**GA**) is very excited about the possibility of scheduled commercial air service at the Olympia Regional Airport and supports the Port of Olympia's initiative to encourage Big Sky to bring its Metroliner Service to our community.

Olympia to Spokane and Olympia to Portland air service would be valuable travel options for state government. For example, we estimate that 8,000 Olympia based travelers flew from **Seattle** to Spokane last year. Olympia air service would save state employees valuable travel time and reduce state travel costs. It would also reduce traffic congestion on the I-5 corridor.

GA is prepared to quickly do ~~the~~ following if Big Sky commits to Olympia air service:

1. Immediately negotiate city pair contracts for Olympia-Spokane and Olympia-Portland.
2. Promote **this** new travel option within the Governor's Executive Cabinet and to other state agencies.
3. Work closely with the Port of Olympia and Big Sky to document that this travel option will produce real time and cost savings and then highlight these savings on the **State's** "Best Practice" website. The Office of Financial Management strongly encourages all state agencies to follow these Best Practices, and monitors adoption.

We would be pleased to help in any other way you might suggest.

Sincerely,

R. D. Fukai
Director



**Economic Development Council
of Thurston County**

721 Columbia SW
Olympia, WA 98501
(360) 754-6320
FAX (360) 586-5493
<http://www.thurstonedc.com>
edc@thurstonedc.com

March 25, 2002

Board of Commissioners
Port of Olympia
915 Washington St. NE
Olympia, WA 98501

Gentlemen:

I am writing this letter on behalf of the Economic Development Council of Thurston County. The EDC supports the Port of Olympia's efforts to secure commuter air transportation for our community.

Transportation, utilities and telecommunications provide the basic support structure essential to a functioning economy. We believe our infrastructure must assure the fluid movement of people, products and information.

Big Sky Airlines, a 25-year regional carrier operating 24 routes in eight states, is actively considering Turnwater service to Spokane and Portland, and the consultant's analysis shows our community as a solid, growing area with a strong market for air travel.

Business travelers in this region comprise 40 percent of total ticket sales, government travelers about 32 percent and leisure makes up about 28 percent of sales.

Convenience, economy and congestion at SeaTac and on Interstate 5 indicate air service would be successful. The Olympia Regional Airport is an easy drive for area travelers and parking is close to the terminal. This contrasts with travel times that can be as long as 2 to 3 hours to SeaTac or Portland airports. Traveling from Olympia would save passengers \$20 daily parking fees. Parking at the Olympia airport is free.

We support a strategic partnership between Big Sky and the Port.

Respectfully,

Gary Nomensen
President
Economic Development Council of Thurston Council



March 25, 2002

Board of Commissioners
Port of Olympia
915 Washington St. NE
Olympia, WA 98501

Gentlemen:

On behalf of the Olympia/Thurston County Chamber of Commerce, we wish to add our support of the Port of Olympia's efforts for commuter air service in our community. We believe the convenience; economic benefit, reduction in non-productive hours, and ability to avoid the stressful, congested 1-5 drive to SeaTac, Washington *or* Portland, Oregon, by having air service from Olympia, are the strong business factors that will make Big Sky successful.

Sincerely,

Susan G. Kent, President
Olympia-Thurston County Chamber of Commerce



OLYMPIA/THURSTON COUNTY CHAMBER OF COMMERCE

PO Box 1427 • Olympia, WA 98507 • 360.357.3362 • Fax 360.357.3376

www.olympiathurstonchamber.com



March 25, 2002

Nick Handy
Port of Olympia
915 Washington St. SE
Olympia, WA 98501

Dear **Nick**,

The Lacey/Thurston County Chamber of Commerce is excited about the possibility of Big Sky Transportation Company making the Olympia Regional Airport a regular stop on their passenger air service route.

Members of our organization are ready to stand behind the Port's efforts to bring regular and reliable passenger service to the greater Olympia area and the reputation of Big **Sky** Airlines seems to be a good fit for this great community of ours.

You can be assured that we will spread the word among our members that the long and time consuming **trip** to SeaTac will no longer be necessary once regular service has been established at the Olympia Regional **Airport**. The Lacey/Thurston County Chamber of Commerce is ready to assist you in any way **we** can to **assure** that Big Sky Airlines will choose to become business partners with the South Sound business community.

Sincerely

A handwritten signature in dark ink, appearing to read "S. Stewart Ridgeway".

S. Stewart Ridgeway CPA
President
Lacey/Thurston County Chamber of Commerce

Capital Medical Center

3900 Capital Mall Dr., S.W.
Olympia, Washington 98502
FAX (360) 956-2574 Phone (360) 754-5858
HCA's Home page is www.Metropolis.Com CMC's home page is www.Capital-Medical.Com

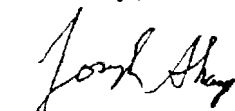
March 25, 2002

Board of Commissioners
Port of Olympia
915 Washington St. NE
Olympia, WA 98501

Gentlemen:

Capital Medical Center wishes to express the hospital's support to secure commuter air transportation for our community. Our leadership does a significant amount of travel during a year. Given competitive rates, Capital Medical Center will commit to a change of air travel by channeling the same or increased out of state travel through Big Sky commuter service. We believe it will save our key employees valuable time and money, as well as provide a less stressful commute to the airport.

Sincerely,



Joseph Sharp
Chief Executive Officer
Capital Medical Center



Washington State
Department of Transportation
Douglas B. MacDonald
Secretary of Transportation

Aviation Division

King County International Airport / Boeing Field
8900 East Marginal Way South
Seattle Washington 98108-4024

206 764 4131 / 1 800 552 0666
Fax 206-764-4001
TTY 1-800-833-0386
www.wsdot.wa.gov

March 25, 2002

Mr. Nick Handy
Executive Director
Port of Olympia
915 Washington Street NE
Olympia, WA 98501

Dear Mr. Handy:

It is with great enthusiasm the Washington State Department of Transportation Aviation Division endorses the establishment of commercial service into the Olympia Airport. Aviation is important to the economic health of Washington and the addition of regularly scheduled air service to a growing market such as Thurston County is a valuable economic asset. Our state benefits from the addition of commercial air service allowing a better response to an expanding statewide, national and international travel market, connecting Washington communities to the world.

According to the 2001 Aviation Forecast and Economic Analysis Study prepared by the WSDOT Aviation Division, the Olympia Airport annually generates 206 jobs, contributing \$3,760,855 in wages and supports a total sales output of \$13,095,235. The Olympia Airport is a critical airport in the Washington State Aviation System Plan with 178-based aircraft and over 50,000 annual operations and general aviation operations, alone are forecast to more than double to 68,000 by the year 2020.

Congratulations on the opportunity to add commercial air service into the Olympia Airport. We need to expand scheduled air service into smaller communities and we offer our support as you proceed with this effort as well as the enhanced integration of aviation into the state transportation system.

Sincerely,

A handwritten signature in black ink that reads "John Sibold".

John Sibold
Director



**Washington State
Department of Transportation**
Douglas B. MacDonald
Secretary of Transportation

April 14, 2002

Aviation Division
King County International Airport / Boeing Field
2800 East Marginal Way South
Seattle, Washington 98108-4024

206-764-4131 / 1-800-552-0868

Fax 206-764-4001

TTY: 1-800-833-8388

www.wadot.wa.gov

Mr. Nick Handy
Executive Director
Port of Olympia
915 Washington Street NE
Olympia WA 98501

Dear Mr. Handy:

As a follow-up to Washington State Department of Transportation's previous endorsement regarding the establishment of commercial service into the Olympia Airport, Secretary MacDonald wishes to highlight an additional transportation benefit of air service into Thurston County.

Currently air travelers living in the greater Olympia area have two options to access air service. Drive the I-5 corridor one hour to Sea Tac International Airport or two hours to Portland International Airport. As the demand for air service continues to grow, this can only mean more cars on the I-5 corridor transporting people to the hub airports in the region. By providing more local transportation options for air travelers, the benefit will likely be a reduction in traffic congestion on the I-5 corridor during peak hours.

While it may be difficult to predict the immediate impact of air service into the Olympia Airport, WSDOT will continue to support and look for opportunities to move people out of their cars and into other forms of transportation. The Aviation Division is currently working with the FAA to develop a strategic plan to identify other communities around the state where air service could be supported and reduce congestion on our highways.

Sincerely,

John Sibold
Director, Aviation Division

JS:cl

cc: Paula Hammond, WSDOT Chief of Staff
Doug Sandau, Airport Manager

9. Airport Financial Information

On a Generally Accepted Accounting Principles (GAAP) basis, Olympia Regional Airport operates at a loss, from a loss of \$131,655 for calendar year 1999 to a projected loss of \$161,397 in calendar year 2002. If GAAP depreciation were excluded, Olympia Regional Airport would operate with a surplus ranging from \$3,906 in calendar year 1999 to a projected \$20,103 surplus in calendar year 2002. The table on the following page provides a detailed review of the Olympia Regional Airport's operating revenues and expenses:

**Olympia Regional Airport
Statement of Revenues and Expenses**

	Year Ended December 31,			
	1999 Audited	2000 Audited	2001 Unaudited	2002 Budget
Operating Revenue				
Real Prop Rental - Land	\$ 119,522	\$ 120,831	\$ 138,112	\$ 173,924
Hangar Rent	134,549	148,109	160,924	166,650
Space Rent - General	78,891	86,106	118,155	103,080
Fuel Flowage Fees	26,075	28,680	33,277	28,000
Percentage Rent		-	10,705	6,950
Landing Fees	3,396	3,441	3,120	3,600
Other Misc Income	836	34,505	824	300
Other User Charges	1,375	1,375	1,375	-
Utilities	3,655	4,143	5,480	-
Total Operating Revenue	<u>\$ 368,299</u>	<u>\$ 427,190</u>	<u>\$ 471,972</u>	<u>\$ 482,504</u>
Operating Expenses				
Salaries	166,245	159,597	196,541	279,867
Benefits	84,353	79,671	94,916	73,657
Outside Professional Services	2,626	11,011	52,192	30,200
Part-Time Temp Services	1,065	15,848	9,032	5,100
Security Patrol				7,200
Fire Fighting Training & Dev	4,279	5,744	6,548	15,500
Fuel & Lubricants	5,057	5,506	2,023	960
Promotional Hosting	1,140	549	429	2,400
Travel	2,409	6,645	8,288	14,000
Memberships	2,000	2,235	2,508	4,195
Meeting Expense	57	1,019	271	300
Subscriptions/Publications		29	148	300
Misc. General Expense	12,538	4,756	2,940	8,000
Employee Development	395	1,797	601	900
Utilities	26,935	26,861	29,673	26,800
Maintenance Supplies		5,087	930	5,500
Maintenance Small Tools		1,634	3,968	3,000
Maintenance Fuel & Lubricants	104	456	3,673	3,600
Equipment Rentals	3,295	3,735	1,708	4,528
Other Maintenance Costs	63	1,148	596	1,900
Maintenance & Repair	65,014	47,630	51,672	57,750
Allocated Costs	(13,182)	(43,000)	(56,269)	(83,256)
Total Operating Expenses	<u>\$ 364,393</u>	<u>\$ 337,958</u>	<u>\$ 412,388</u>	<u>\$ 462,401</u>
Operating Income before Depreciation	<u>\$ 3,906</u>	<u>\$ 89,232</u>	<u>\$ 59,584</u>	<u>\$ 20,103</u>
Injuries & Damages - Building destroyed by fire		-	125,907	
Depreciation	135,561	149,969	165,000	181,500
Net Income (Loss)	<u>\$ (131,655)</u>	<u>\$ (60,737)</u>	<u>\$ (231,323)</u>	<u>\$ (161,397)</u>

10. Assurances

The Port of Olympia, sponsor of the Olympia Regional Airport, provides the U.S. Department of Transportation with the following assurances:

1. It will comply with all applicable Federal laws, regulations, executive orders, policies, guidelines, and requirements as they relate to the application, acceptance and use of Federal funds for this project.
2. It has legal authority to apply for the grant, and to finance and carry out the proposed project; that a resolution, motion or similar action has been duly adopted or passed **as** an official act of the applicant's governing body authorizing the filing of the application, including all understanding and assurances contained therein, and directing and authorizing the person identified as the official representative of the applicant to act in connection with the application and to provide such additional information as may be required.
3. It has sufficient funds available for that portion of the project costs, which are not to be paid by the United States. It has sufficient funds available to assure operating and maintenance of items funded under the grant agreement, which it will own or control.
4. It shall keep all project accounts and records which fully disclose the amount and disposition by the recipient of the proceeds of the grant, the total cost of the project in connection with which the grant is given or used, and the amount or nature of that portion of the cost of the project supplied by other sources, and such other financial records pertinent to the project. The accounts and records shall be kept in accordance with an accounting system that will facilitate an effective audit in accordance with the Single Audit Act of **1984**.
5. It shall make available for the purpose of audit and examination, any books, documents, papers, and records of the recipient that are pertinent to the grant.
6. It will execute the project in accordance with the approved program narrative contained in the project application or with the modifications similarly approved.
7. It will furnish such periodic reports as required pertaining to the project and activities.